

MENOMINEE INDIAN TRIBE OF WISCONSIN

INTERNAL AUDIT DEPARTMENT

POLICIES AND PROCEDURES

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Menominee Indian Tribe of Wisconsin Internal Audit Policies and Procedures

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SECTION A - INTERNAL AUDIT PLAN

1. MISSION

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Menominee Indian Tribe of Wisconsin (MITW). It helps the Tribe accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

For purposes of this Plan, the Menominee Indian Tribe of Wisconsin means all departments, entities, and affiliated organizations that report directly or indirectly to the Menominee Tribal Legislature (MTL).

2. INDEPENDENCE AND ACCOUNTABILITY

To provide for the independence of the Internal Audit Department, the Director of Internal Audit, in the discharge of his/her duties, shall be directly accountable to the Menominee Tribal Chairperson. Internal Audit Department staff report to the Director of Internal Audit.

3. RESPONSIBILITY

The Internal Audit Department has responsibility to:

- A. Develop a flexible, risk-based annual plan of Internal Audit Department work, considering the input of management, and submit that plan and significant interim changes to the MTL for review and approval.
- B. Implement the approved annual plan, including as appropriate special projects requested by the MTL.
- C. Evaluate governance, risk management, and control of MITW consistent with this Plan and with the approved annual plan. This may include evaluating significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- D. Provide consulting services regarding governance, risk management, and control of the MITW as agreed upon with management.

- E. Report significant issues related to governance, risk management, and control of MITW, including potential improvements, and provide information concerning such issues through resolution.
- F. Investigate and assist in the investigation of significant suspected fraudulent activities within MITW and notify the Tribal Chairperson of the results.
- G. Maintain a professional audit staff with sufficient knowledge, skills, and other competencies to meet the requirements of this Plan.
- H. Consider the scope of work of other internal and external parties, as appropriate, to help ensure proper coverage and minimize duplication of efforts.
- I. Coordinate with and provide oversight of other control and monitoring functions (e.g., risk management, compliance, security, legal, ethics, environmental, external audit).
- J. Periodically provide information to the Tribal Chairperson on Internal Audit Department activities and results relative to the annual plan, as well as the sufficiency of Department resources.
- K. Inform the Tribal Chairperson of significant emerging trends and successful practices in internal auditing.

These responsibilities may be in relation to all MITW objectives and processes, which include, but are not limited to, providing reasonable assurance that:

- A. Risks are appropriately identified and managed.
- B. Significant legislative or regulatory issues impacting MITW are recognized and addressed appropriately.
- C. Interaction with the various governance groups occurs as needed.
- D. Programs, plans, and objectives are achieved.
- E. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- F. Departments are in compliance with applicable laws, regulations, standards, policies, procedures, and other requirements.
- G. Resources are acquired economically, used efficiently, and adequately protected.
- H. Quality and continuous improvement are fostered in control of MITW.

Opportunities for improving MITW may be identified by the Internal Audit Department. They will be communicated to the appropriate levels of management.

4. AUTHORITY

The Director of Internal Audit and staff of the Internal Audit Department are authorized to:

- A. Have unrestricted access to all Tribal and Chartered Organization's activities, functions, records, property, and personnel.
- B. Have full and free access to the Tribal Chairperson.
- C. Allocate resources, set frequencies, select subjects, determine scopes and timing of work, and apply the techniques required to fulfill its mission and responsibilities.
- D. Obtain the necessary assistance of personnel in departments, entities, and affiliated organizations of MITW where services are provided, and obtain other specialized services from within or outside MITW.

The Director of Internal Audit and staff of the Internal Audit Department are **not** authorized to:

- A. Perform any operational duties for MITW.
- B. Make management decisions external to the Internal Audit Department. MITW management has primary responsibility for control of MITW.
- C. Initiate or approve fiscal transactions external to the Internal Audit Department.
- D. Direct the activities of any MITW employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

5. STANDARDS OF AUDIT PRACTICE

The Internal Audit Department is guided by the Code of Ethics and will meet or exceed the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

6. CONFIDENTIALITY

The Internal Audit Department frequently deals with information of a confidential nature. It is expected that all employees will treat confidential information in an appropriate manner. Please refer to the Menominee Indian Tribe Personnel Policies and Procedures Manual for more information regarding confidentiality.

7. RELEASE OF RECORDS

Due to the fact that Internal and External Audits contain sensitive information, Internal Audits will only be released with prior approval from the Tribal Chairperson or at the discretion of the Internal Audit Director. External Audits will be released at the discretion of the Internal Audit Director.

SECTION B - AUDIT SERVICES

1. DESCRIPTION OF AUDIT TYPES

All audits begin with objectives, and those objectives determine the type of work to be performed by Internal Audit. The objectives are statements of what the audit is intended to accomplish. All audits may include a review of internal control. Audit results are based on evaluations of evidence. The types of audits are commonly described as follows.

- a. **Operational audits** are the most often performed and involve a thorough review of effectiveness and efficiency of processes and procedures in achieving objectives and goals.
- b. **Investigative audits** identify the facts and circumstances of possible improper activities, such as fraud or misappropriation of MITW assets.
- c. **Financial audits** evaluate the accounting for and reporting of financial activities, such as revenue and expenditures.
- d. **Compliance audits** measure adherence to applicable laws, regulations, policies, procedures, agreement terms and conditions, and other requirements
- e. **Information Systems audits** provide a technical review of the planning, design and implementation of a computing function to ensure that appropriate controls exist in the data center operations, access security, major applications, network/communications, and end-user computing.
- f. **Follow-up audits** monitor action taken by management in response to a prior audit.

2. CONSULTING SERVICES

Internal Audit provides consulting services. Consulting commonly includes counsel, advice, facilitation, and training. This may be on various topics and in many settings. Please contact Internal Audit to request consulting services. For example:

- Departments, entities, and affiliated organizations may want suggestions in developing a new policy, process, or procedure.
- A project team may want advice on ways to avoid problems that may impact the achievement of project goals.
- Internal Audit is aware of, and can help initiate conversations between, MITW departments that face similar challenges and opportunities.

Consulting services are intended to identify opportunities to improve processes and reduce exposure to risk in achieving MITW objectives. Internal Audit does not perform management functions or make management decisions.

Internal Audit also coordinates activities with external providers of review and consulting services. This helps ensure adequate coverage and avoid duplication of effort. Internal Audit can provide guidance on responding to external auditors and audit reports.

3. Guide to Internal Control in Three Easy Steps

Internal Audit assists MITW in maintaining effective internal (administrative) controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Administrative controls are part of what is commonly referred to as internal control. Key elements of the control process are described below.

First - If you suspect fraud, waste, or abuse, you should report it. You can report suspicions without giving your name. Call Internal Audit (715)799-5213 or (715)799-5994.

Second - Know what it means to have internal controls such as segregation of duties. The control structure includes the control environment, risk assessment, control activities, information and communications, and monitoring. Examples of common control activities are accounting systems and policies and procedures.

The Fraud Examiners Manual by the Association of Certified Fraud Examiners specifies the following minimum separation of duties:

- If a control system is to have any integrity at all, there must be segregation between the functions of authorization, custody, operation and record keeping.
- If there is not enough staff to allow ideal segregation of duties, compensating controls should be implemented. Examples of compensating controls are a manager performing reconciliations, random testing, and document review.

Third - Determine the greatest internal control weaknesses in your department. Discuss the weaknesses with your supervisor. Call Internal Audit if you need help or a sounding board. Make appropriate changes.

Internal Audit provides consulting and evaluation services to MITW regarding internal control, which includes risk assessment. Below are some frequently asked questions about internal control. If you want more information, please contact us.

FREQUENTLY ASKED QUESTIONS:

What is internal control?

Internal control in general is any action taken to increase the likelihood that established objectives and goals will be achieved. Objectives include effective and efficient operations, reliable reporting, compliance with internal and external requirements, and protecting assets. Because internal control may mean different things to different people, a number of frameworks that promote consistency were created. Components of one common framework are the control environment, risk assessment, control activities (such as policies and procedures), monitoring, and information and communication.

What is my role in internal control and how do I find out more about that role?

Every MITW employee has a role in internal control. That role may range from designing, implementing, operating, monitoring, or sharing information on internal control, depending on your role at MITW. Management has primary responsibility for controls. Controls may be centralized or decentralized. Examples of centralized controls are policies that pertain to all MITW Employees and Departments. Examples of decentralized controls are policies and procedures that relate specifically to each department. Internal Audit can provide more information and/or direct you to someone who is closely involved in internal control.

How can I learn more about internal control and how to assess it?

Internal Audit has provided resources for information about internal control and how to assess it. Many other resources are available. For more information regarding internal controls, please contact Internal Audit.

SECTION C – THE AUDIT PROCESS - What you can expect...

You may receive a request for certain information about your department. This information may include any departmental policies and procedures, contracts or grants in which your department operates under, or any other information pertinent to your department.

An **entrance conference** may be held to provide the opportunity for the audit team and the department or area to discuss the purpose and objectives of the audit and to schedule dates for **fieldwork**. The conference is also the time to discuss other ways Internal Audit (IA) could help you or any questions that you may have. Sometimes an audit may begin with an unannounced visit.

Since every audit is unique, the audit process and procedures may vary. During a typical internal audit, the IA team performs an evaluation of the department's systems of internal control and tests the department's compliance with these controls and other relevant requirements. The IA team may also identify opportunities to improve operations.

Progress meetings and/or e-mails are used throughout the audit process to keep management informed of any significant findings and to resolve any arising issues.

After the conclusion of fieldwork, IA prepares a **draft of the audit report** and submits the draft to the department or area for review. An **exit conference** is held to discuss the audit findings and recommendations.

Management is requested to provide a written response to each recommendation. The **management response** states whether or not the department agrees with the recommendations, the plans for implementation and any other information to further explain the issues.

IA issues the **final audit report** including the management response. Copies of the report are distributed to the department director, his/her supervisor, the MTL and Management Team as deemed appropriate.

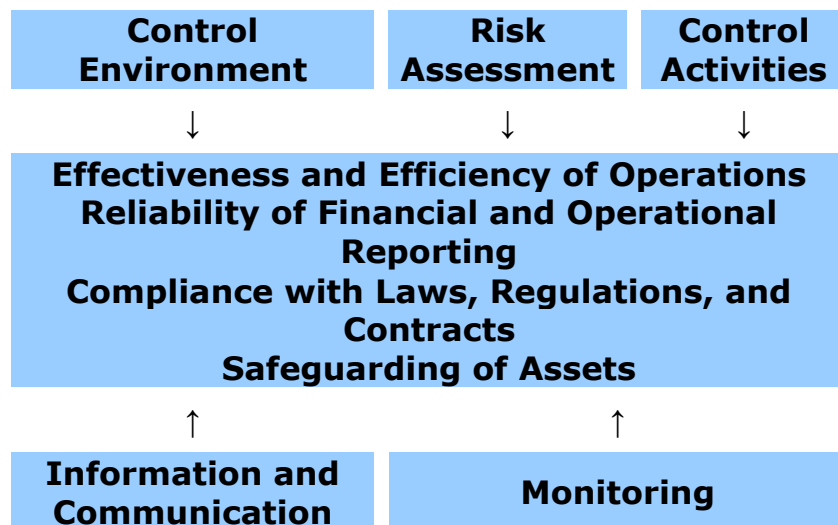
Depending on the nature of the audit, IA may schedule a **follow-up audit** after the original audit in order to determine the status of the recommendations. A **follow-up report** would be issued.

SECTION D – HOW INTERNAL AUDITS ARE SCHEDULED

The **Director of Internal Audit** reports to the Tribal Chairperson. Two of the major objectives of Internal Audit are to help provide reasonable assurance that internal controls are in place and operating as intended to lower MITW's exposure to loss and increase the effectiveness and efficiency of its departments, entities, and affiliated organizations. This supports MITW's administrative control process to achieve objectives as shown in the chart below.

Internal Audit projects arise from various sources. Annually, Internal Audit identifies areas of **potential risk** to MITW. (See Risk Assessment and Long Range Audit Plan) Special requests for additional audits and management consulting services may be presented by the MTL, departments, entities, or affiliated organizations. Other potential issues may arise from fraud, federal regulatory changes, and follow-up reviews. Projects involving potential fraud and those considered to be of "high risk" will receive priority.

Internal Audit prepares an **annual audit plan** based on careful consideration of the identified risks and needs, and then presents this plan to the Legislature for approval.



SECTION E - RISK ASSESSMENT AND LONG-RANGE AUDIT PLAN

Risk Assessment

The Internal Audit Department uses a comprehensive risk assessment model to develop a long-range audit plan. This model allows all areas of MITW to be evaluated using uniform criteria. Factors and weights used to assess and score each potential audit area include such items as: financial statistics; complexity of operations; departmental cash handling; funding sources and internal and external audit history. A risk assessment and development of a new long-range plan is done once every three years.

In performing this project, we will use data from MITW information systems and conduct limited inquiry with staff and management in key operating areas.

Audit Plan

The scores from the risk assessment, staff resources available, and management input are used to develop a long-range audit plan and annual work schedules. The long-range plan covers a three-year time frame and includes blocks of time for routine audits, special projects (those requested by management or involving allegations of misuse), and administrative functions such as staff training and development.

Our goal is to provide the most comprehensive, beneficial audit services to MITW. However, since staff resources are limited, we cannot provide coverage to all areas. Therefore, hours for routine audits will be allotted first to sensitive areas and areas determined to have the greatest significance to MITW. Routine audits will be scheduled for lower risk areas as time permits or may be addressed through special projects.

Work schedules will be updated annually to allow for changes in the MITW's operating environment.

To the extent possible, the timing of routine audits and special projects will accommodate daily operations as well as "busy seasons" in departments that have variable work loads.

SECTION F - REPORTING FRAUD

MITW has a policy of prosecuting fraud. Managers or others who suspect fraud in their department should contact the Internal Audit Department. Internal Audit suggests that the person reporting the incident should be very specific in his/her allegations.

The Office of Internal Audit can be reached at **(715) 799-5213** or **(715)799-5994**. Please call with your questions and issues related to possible fraud.

SECTION G - REPORTING AND INVESTIGATING FISCAL MISCONDUCT

Purpose

This policy establishes the procedures for reporting and resolving instances of known or suspected fiscal misconduct in order to protect the assets and interests of MITW.

Definition

FISCAL MISCONDUCT: Examples include embezzlement; misappropriation of goods, services, or resources; diversion of assets; conflict of interest situations, violation of MITW fiscal policies and procedures and use of MITW facilities and equipment for personal gain; and any activity related to intentional wrongdoing and improper behavior related to MITW financial matters.

Policy:

- A. Any employee associated with MITW who knows of or suspects fiscal misconduct should promptly notify Internal Audit.
- B. Upon a receipt of a report of suspected fiscal misconduct, Internal Audit will determine the procedures to be used and the appropriate team to review or investigate the allegations. The investigative process may include other MITW employees as needed.
- C. When appropriate, Internal Audit shall promptly inform the Chairperson, Management, and/or Law Enforcement of the allegations and keep them apprised of on-going investigations.
- D. At the completion of any investigation, Management is responsible for implementing changes in policy and procedures for improved internal controls to prevent a reoccurrence.
- E. The affected director or department head shall not attempt to conduct an independent investigation or audit, nor shall they confront or question the individual(s) accused of misconduct. Rather, the affected director or department head shall cooperate and coordinate with the Internal Audit Department.
- F. Members of Internal Audit and affected department employees shall use discretion and not discuss the

- circumstances with persons not involved in the incident or with persons without an essential need-to-know.
- G. If evidence of alleged fiscal misconduct is found, the individual(s) will be subject to such disciplinary actions as may be appropriate under the MITW Personnel Policies and Procedures Manual and such civil or criminal actions that may be appropriate.
 - H. Any individual to whom situations of suspected fiscal misconduct are reported shall inform the Internal Audit Department upon the receipt of a report of fiscal misconduct.

SECTION H - REPORTING IMPROPER ACTIVITIES AND PROTECTION AGAINST RETALIATION POLICY

It is the policy of the MITW to encourage employees and others to disclose improper and or questionable activities that interfere with the proper and efficient performance of MITW operations. MITW will also address written complaints alleging acts of reprisal or intimidation resulting from this disclosure. MITW has the responsibility to seek out and correct abuses regarding improper activities. People filing under this policy are expected to have good faith belief of wrongdoing.

For more information refer to the Reporting Improper Activities and Protection Against Retaliation Policy.

SECTION I – INTERNAL AUDIT’S WORK WITH EXTERNAL AUDITORS

Internal Audit (IA) is responsible for coordinating the external audit function in accordance with OMB Circular A-133 and HUD REAC requirements. IA also prepares the Management Discussion and Analysis with the input of management, and submits timely audit information to required agencies.

SECTION J – ABOUT THE DEPARTMENT OF INTERNAL AUDIT

Plan

The purpose, authority, and responsibility of the Internal Audit Department are formally defined in the Internal Audit Plan approved by the MITW Legislature

Professional Organizations

Our staff associates with various professional organizations to help ensure that we enhance our knowledge, skills, and other competencies through continuing professional development.

- Association of Certified Fraud Examiners (ACFE)
- Governmental Accounting Standards Board (GASB)
- Institute of Internal Auditors (IIA) - Professional Standards

To reach the Internal Audit staff please use the following information:

**Internal Audit
Menominee Indian Tribe of Wisconsin**

P. O. Box 910

Keshena, WI 54135

Director - Tel: (715)799-5213

Staff Auditor – Tel: (715)799-5994

Internal Audit Fax: (715) 799-5874

For a current staff directory and e-mail addresses please visit our website at:

www.menominee-nsn.gov